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August 31, 2007

RECEIVED

AUG 31 2007

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc. and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. for the Establishment of a Home Energy Assistance Program
KPSC Case No. 2007-00338

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of Kentucky Utilities Company's Comments in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions please contact me at your convenience.

Very truly yours,

W. Duncan Crosby III

WDC/ec
cc: Parties of Record

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**JOINT APPLICATION OF KENTUCKY UTILITIES)
COMPANY, KENTUCKY ASSOCIATION FOR)
COMMUNITY ACTION, INC., AND COMMUNITY)
ACTION COUNCIL FOR LEXINGTON-FAYETTE,) CASE NO. 2007-00338
BOURBON, HARRISON, AND NICHOLAS)
COUNTIES, INC., FOR THE ESTABLISHMENT OF)
A HOME ENERGY ASSISTANCE PROGRAM)**

COMMENTS OF KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company (“KU”), by counsel, hereby submits the following comments to the Kentucky Public Service Commission (“Commission”) concerning the Joint Application for an order approving a new Home Energy Assistance (“HEA”) Program in KU’s service territory.

KU, along with the other Joint Applicants,¹ has applied for a new five-year HEA program to help pay the utility costs of those with the greatest financial need. As shown by the HEA Program Final Evaluation Report KU filed with the Commission concerning KU’s current three-year HEA program, this kind of program works to better the lives of those served.² In its first two years of operation, the HEA program helped approximately 1300 low-income residential customers with their KU bills,³ and will have paid out over \$1.2 million in subsidy

¹ The other Joint Applicants are the Kentucky Association for Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

² *In the Matter of: Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., for the Establishment of a Home Energy Assistance Program*, Case No. 2004-00303, Home Energy Assistance (HEA) Program Evaluation Final Report (March 30, 2007) (“Report”).

³ *In the Matter of: Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., for the Establishment of a Home Energy Assistance Program*, Case No. 2007-00338, Joint Application at 4 (July 30, 2007) (“Joint Application”).

benefits over the course of the three-year program.⁴ Those assisted are among the neediest, who to be eligible must have incomes at or below 110% of the federal poverty level.⁵ It is a program of which the Commission and the Joint Applicants can rightly be proud.

The proposed HEA program will continue providing this needed assistance in much the same way for the next five years. The proposed program is essentially identical to the current HEA program, with two notable modifications. First, the administrating agencies will be able to use up to 5% of total program funds to provide emergency energy assistance and to assist in reducing arrearages of program participants, which should help those participants to become, and to stay, current on their utility bills.⁶ Second, the new program's income eligibility requirement will track the federal LIHEAP eligibility requirement, which is approved by the Commonwealth of Kentucky and is currently 130% of the federal poverty level. This change will increase program eligibility, given that the current HEA program requires applicants to have incomes at or below 110% of the federal poverty level.⁷ KU believes these changes will improve the proposed HEA program, enabling it to reach out to more customers and offering greater flexibility in assisting them.

Although there has been some suggestion that KU should unify its HEA program with that of Louisville Gas and Electric Company, both Companies believe that the cost of unifying the program, which would likely be significant, would not result in commensurate benefits.⁸

⁴ Report at 20.

⁵ Report at 6. The proposed HEA program would expand the pool of eligibility to those who meet the eligibility criteria for the federal LIHEAP program, which is available to those with incomes at or below 130% of the federal poverty level.

⁶ Joint Application at 8. This feature of the proposed HEA program also serves to more closely align KU's and Louisville Gas and Electric Company's HEA programs, because both Companies' programs will now have this feature.

⁷ *Id.* at 6.

⁸ For example, the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc, estimated that in order to replicate the Louisville Gas and Electric Company program within their IRIS software

Indeed, given the excellent results that the Companies' current HEA programs are producing separately, there appears to be no reason to unify them. To ensure that the HEA programs are operating efficiently, though, and to evaluate if or when unifying the programs would provide benefits outweighing the costs, the Companies will continue to monitor closely the programs and the agencies administering them. Furthermore, the Companies have committed to report to the Commission annually concerning their HEA programs,⁹ and will provide a comprehensive report thereon no later than six months before the end of their proposed programs' five-year term.¹⁰

Finally, KU urges the Commission to act quickly to approve the Joint Application in this proceeding. Unless the Commission does so, the HEA assistance that over 1500 low-income KU customers currently depend upon will come to an end, and soon – collection of funds for the existing HEA will end September 30, 2007.¹¹ In order to continue providing this much-needed assistance without interruption, KU respectfully renews its request that the Commission approve by September 14, 2007, the Joint Application for a new five-year HEA program to become effective at the conclusion of the existing program.

would cost approximately \$90,000. *See* Case No. 2007-00338, Response of Question No. 1 of Attorney General's August 24, 2007 Request for Information (August 31, 2007).

⁹ Joint Application at 13-14.

¹⁰ Case No. 2007-00338, Response to Question No. 2(b) of the First Data Request of Commission Staff dated August 20, 2007 (August 24, 2007).

¹¹ Joint Application at 4.

Dated: August 31, 2007

Respectfully submitted,

By: 

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Comments of Kentucky Utilities Company was served on the following persons on the 31st day of August 2007, United States mail, postage prepaid:

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